



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 15, 2001

H.R. 1291 **21st Century Montgomery GI Bill Enhancement Act**

As introduced on March 29, 2001

SUMMARY

H.R. 1291 would increase the monthly Montgomery GI Bill (MGIB) basic educational benefit to \$800 in 2002, \$950 in 2003 and \$1,100 in 2004. CBO estimates that enacting the bill would raise direct spending by about \$230 million in 2002, \$3.3 billion over the 2002-2006 period, and \$9.1 billion over the 2002-2011 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply. H.R. 1291 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1291 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

BASIS OF ESTIMATE

Under current law, participants in MGIB who serve at least three years on active duty are entitled to receive \$650 a month if they are full-time students. That stipend is available for a total of 36 months. For part-time students, the monthly benefit is reduced proportionately, but can be spread over a larger number of months up to the equivalent of 36 months of full-time training. Similarly, individuals who serve two years on active duty are entitled to a monthly stipend of \$528 for 36 months. In all cases, the benefits increase by an annual cost-of-living allowance (COLA) and expire 10 years after the end of military service.

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
DIRECT SPENDING						
Spending Under Current Law for Veterans Readjustment Benefits						
Estimated Budget Authority	1,693	1,880	2,000	2,107	2,238	2,341
Estimated Outlays	1,693	1,880	2,000	2,107	2,238	2,341
Proposed Changes						
Estimated Budget Authority	0	230	480	774	856	941
Estimated Outlays	0	230	480	774	856	941
Spending Under H.R. 1291 for Veterans Readjustment Benefits						
Estimated Budget Authority	1,693	2,110	2,480	2,881	3,094	3,282
Estimated Outlays	1,693	2,110	2,480	2,881	3,094	3,282

H.R. 1291 would increase the monthly stipend of participating veterans who served at least three years on active duty to \$800 in 2002, \$950 in 2003, and \$1,100 in 2004. Participating veterans with at least two years of active duty would be eligible for a maximum monthly benefit of \$650 in 2002, \$772 in 2003, and \$894 in 2004. The COLAs scheduled for the 2002-2004 period would not occur. Thus, the monthly benefit would increase by 20 percent in 2002, 38 percent in 2003, and 56 percent in 2004.

Based on current and past usage rates from the Department of Veterans Affairs (VA), CBO estimates that this substantial increase in the size of the MGIB benefit would increase not only the number of veterans who use the program, but also the number of veterans who will choose to attend school on a full-time rather than part-time basis. In 2000, 266,000 veterans received an average annual MGIB benefit of \$3,200. Under current law, CBO predicts that in 2011, 332,000 veterans will receive an average annual benefit that will have grown by annual cost-of-living increases to \$4,517. Under H.R. 1291, CBO estimates that the number of veterans training under the MGIB would increase only slightly in the first couple years, but the number of participants would increase to about 375,000 in 2011, a 12 percent increase over our current estimate. CBO estimates that, over the next 10 years, the average annual benefit paid by VA would increase by about 5 percent because more veterans would be able to attend school full time, and by 56 percent because of the benefit increase. CBO estimates the average annual benefit in 2011 would be about \$7,600.

MGIB benefits are also available to active-duty members of the armed forces who have completed two years of service. When servicemembers use MGIB benefits, they receive an amount equal to the cost of tuition, up to the amount of the benefit. In many cases, therefore, servicemembers do not receive the full MGIB benefit, and would not be affected by an increase in the benefit levels. Over the last few years, the number of active-duty persons using MGIB has been gradually declining, down to about 14,000 in 2000. CBO expects the number to continue to decline to about 11,800 in 2011, under current law. CBO estimates that H.R. 1291 would partially stem this decline, so that by 2011 there would be about 12,200 servicemember trainees, an increase of 3 percent above our current estimate. In 2000, these servicemember trainees received an average annual benefit of \$2,200. Under H.R. 1291, we estimate the average benefit these trainees would receive in 2011 would increase to \$3,900, almost 50 percent above the current projection.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays	0	230	480	774	856	941	1,026	1,095	1,157	1,225	1,302
Changes in receipts											

Not applicable

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1291 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Sarah T. Jennings

Impact on State, Local, and Tribal Governments: Susan Sieg Tompkins

Impact on the Private Sector: Sally Sagraves

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis